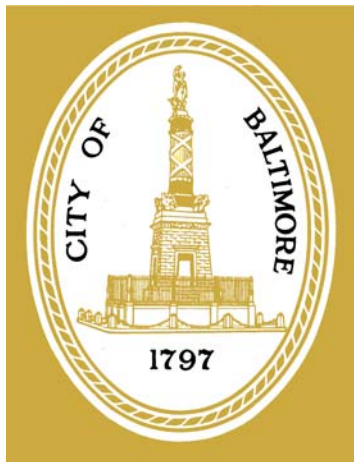


INDEPENDENT AUDITOR'S REPORT

THE WAR MEMORIAL COMMISSION

FOR THE FISCAL YEAR ENDED

JUNE 30, 2003



**City of Baltimore
Department of Audits**

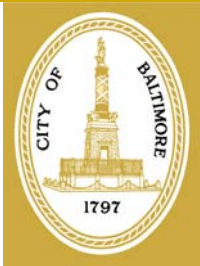
**AUDIT REPORT
WAR MEMORIAL COMMISSION
FISCAL YEAR ENDED JUNE 30, 2003**

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CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



DEPARTMENT OF AUDITS

YOVONDA D. BROOKS, CPA
City Auditor

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INDEPENDENT AUDITOR'S REPORT

April 16, 2004

Honorable Joan M. Pratt, Comptroller
and Other Members of the
Board of Estimates
City of Baltimore

We have audited Exhibit A, Computation of State's Fifty Percent Share of Net Expenditures for the Fiscal Year Ended June 30, 2003, and Schedule 1, Net Expenditures Chargeable to the War Memorial Commission Appropriation Accounts for the Fiscal Years Ended June 30, 2003 and June 30, 2002. These financial statements are the responsibility of the War Memorial Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, net costs of operations for the fiscal years ended June 30, 2003 and June 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2004, on our consideration of the War Memorial Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the War Memorial Commission, State of Maryland, and the City of Baltimore management and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

Yovonda D. Brooks, CPA
City Auditor

EXHIBIT A

WAR MEMORIAL COMMISSION
COMPUTATION OF STATE'S FIFTY PERCENT SHARE OF NET
EXPENDITURES FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Net Expenditures Charged to the War Memorial Commission Appropriation Accounts for Fiscal Year 2003 (Schedule 1).....	\$ 304,491
Fifty Percent Thereof Billable to the State.....	\$ 152,245
Balance Due from State from Prior Fiscal Years.....	19,794
Total Due from State.....	172,039
Amount Received from State During Fiscal Year 2003.....	135,159
Net Balance Due from State.....	\$ 36,880

See notes to financial statements.

SCHEDULE 1

WAR MEMORIAL COMMISSION
NET EXPENDITURES CHARGEABLE TO THE WAR MEMORIAL COMMISSION
APPROPRIATION ACCOUNTS FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

EXPENDITURES:	<u>2003</u>	<u>2002</u>
Salaries.....	\$ 151,225	\$ 149,561
Other Personnel Costs.....	58,364	61,516
Contractual Services:		
Gas, Electric, Steam.....	\$ 70,772	\$ 45,374
Maintenance and Repairs of Real Property.....	5,988	2,947
Telephone.....	5,283	4,665
All Others.....	<u>5,808</u>	<u>3,763</u>
Total Contractual Services.....	87,851	56,749
Materials and Supplies.....	6,845	7,053
Equipment Replacement.....	<u>206</u>	<u>5,262</u>
Total Expenditures.....	<u><u>\$ 304,491</u></u>	<u><u>\$ 280,141</u></u>

See notes to financial statements.

WAR MEMORIAL COMMISSION NOTES TO FINANCIAL STATEMENTS

Background

The War Memorial Commission (Commission) has the authority to spend, at its discretion, such funds as may be appropriated by the General Assembly of Maryland and the Mayor and City Council of Baltimore for the maintenance and administration of the War Memorial Building. This authority is provided by the State Government Article, Sections 9-931 through 9-937 of the *Annotated Code of Maryland*, which establishes the Commission as a unit in the Department of Veterans Affairs of the State of Maryland. The City appropriates funds for operating expenses of the Commission, and all revenues received by the Commission are deposited with the City. The Department of Veterans Affairs of the State of Maryland is billed by the City for one-half of the amount charged to the War Memorial Commission appropriation accounts.

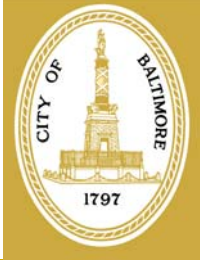
Significant Accounting Policies

The War Memorial Commission reports to the State of Maryland expenditures as they are recorded (net of miscellaneous revenue) in the governmental funds of the City of Baltimore, except that encumbrances charged to the War Memorial Commission appropriation accounts are not included. This effectively puts the reporting on the modified accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America.

AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
FOR
THE WAR MEMORIAL COMMISSION
FISCAL YEAR ENDED
JUNE 30, 2003

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



DEPARTMENT OF AUDITS

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**AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

April 16, 2004

Honorable Joan M. Pratt, Comptroller
And Other Members of the
Board of Estimates
City of Baltimore

We have audited Exhibit A, Computation of State's Fifty Percent Share of Net Expenditures for the Fiscal Year Ended June 30, 2003, and Schedule 1, Net Expenditures Chargeable to the War Memorial Commission Appropriation Accounts for the Fiscal Years Ended June 30, 2003 and June 30, 2002 and have issued our report thereon dated April 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the War Memorial Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of material noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying schedule of findings as Condition I and Condition II.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the War Memorial Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial

reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting and its operation that is reported as Condition III in the accompanying schedule of internal control findings.

We also followed up on the prior year's findings that were discussed in our prior audit report. We are reporting on these matters in Attachment I of this report.

This report is intended solely for the information and use of the War Memorial Commission, State of Maryland, and the City of Baltimore management and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

Yovonda D. Brooks, CPA
City Auditor

SCHEDULE OF FINDINGS OF NONCOMPLIANCE

IMMATERIAL INSTANCES OF NONCOMPLIANCE

CONDITION I – WAR MEMORIAL COMMISSION UNDERBILLED THE STATE IN THE AMOUNT OF \$5,000 FOR SEPTEMBER 2002 EXPENDITURES

For each month, the Executive Director uses the City's Level III printout of net expenditures to bill the State of Maryland for reimbursement of 50% of the War Memorial Commission's total net expenditures. When calculating the 50% amount for September 2002, the Executive Director inadvertently used \$24,423 instead of the actual expenditures amount of \$34,423. The \$10,000 difference resulted in billing the State for \$12,212 instead of \$17,212. The amount underbilled is \$5,000.

We recommend that the War Memorial Commission correct its calculation of the September 2002 billing amount and obtain reimbursement of the remaining \$5,000 from the State. The Executive Director has initiated this process.

CONDITION II – WAR MEMORIAL COMMISSION EXPENDED \$292 FOR THE DECEMBER 16, 2002 BOARD MEETING MEAL EXCEEDING THE ALLOWABLE MEAL EXPENSE BY \$202

The War Memorial Commission expended \$292 for the luncheon provided at the December 16, 2002 Commissioners' Board Meeting. The luncheon also served as a holiday party for the Commission staff members. According to the State's criteria for reimbursement of meal expenses, the allowable meal expense is \$90, based on the \$10 per person per meal allowance for the four Commissioners and five staff members in attendance. Consequently, \$202 was expended in excess of the allowable amount. The entire amount was reimbursed by the City of Baltimore via Direct Payment Order and the State subsequently reimbursed the City for 50% of the entire amount.

The Executive Director was not aware of the various criteria pertaining to allowable meal expenses. He was under the impression that other invited guests, who are not Commissioners or Commission staff members, could be included in the number of attendees. He also did not realize that luncheons and dinners are subject to different reimbursement rates.

We recommend that the Commission obtain reimbursement for the \$202 excess meal expenses from sources other than State and City funds. We further recommend that the Commission adhere to City and State regulations regarding Board Meeting meal expenditures for future meals.

SCHEDULE OF INTERNAL CONTROL FINDINGS

OTHER MATTERS INVOLVING INTERNAL CONTROLS

CONDITION III – WAR MEMORIAL COMMISSION CHECKS WHICH ARE BLANK AND BEARING TWO AUTHORIZED SIGNATURES ARE GIVEN TO EMPLOYEES TO USE IN PURCHASING ITEMS FOR THE COMMISSION

We found one blank check that appeared to have been signed by two authorized signatories, and then given to an employee to use in purchasing items for the Commission. Further inquiry of the Executive Director revealed that this is done as a matter of course. The practice of giving employees blank, signed checks increases the risk of loss, theft, fraud and other misappropriations of funds.

We recommend that the Commission discontinue its practice of issuing blank, signed checks to employees for the purpose of purchasing items on behalf of the Commission. An alternate method of procurement should be sought. The Commission may want to consider having an employee use his own funds for the purchase and reimbursing him upon presentation of the receipt. Or, it may be possible to call a store before sending an employee to purchase items, obtain the cost of the items needed, then fully complete a payment check payable to that store and give the fully completed check to the employee to use. Other alternate methods may exist.

ATTACHMENT I

WAR MEMORIAL COMMISSION

FISCAL YEAR ENDED JUNE 30, 2003

STATUS OF PRIOR YEAR'S

FINDINGS AND RECOMMENDATIONS

(Findings not considered to have a material effect
on the financial statements)

ATTACHMENT I

WAR MEMORIAL COMMISSION FISCAL YEAR ENDED JUNE 30, 2003 STATUS OF PRIOR YEAR'S FINDINGS AND RECOMMENDATIONS

CONDITION I – WAR MEMORIAL COMMISSION EXPENDITURES INCLUDED THE CITY'S DUPLICATE REIMBURSEMENT OF A \$63 INVOICE

The Commission submitted duplicate expenditure reimbursement requests to the City for a vendor invoice totaling \$63. The Commission received reimbursement of the expenditure for both requests.

Current Audit Status

No evidence of repayment of the duplicate reimbursement was seen in the Commission's records for fiscal year 2003. Upon bringing the matter to the attention of the Executive Director, he instructed the Office Assistant to prepare the check immediately. Check # 1307, dated March 30, 2004, was made payable to the Director of Finance in the amount of \$63. This finding is therefore resolved.

CONDITION II – THE WAR MEMORIAL COMMISSION DID NOT PERFORM MONTHLY BANK RECONCILIATIONS

During the fiscal year 2002 audit, we noted that the War Memorial Commission did not perform monthly bank reconciliations. This was a recurring audit finding from previous years' audits. We believe that monthly bank reconciliations are an integral tool for ensuring the accuracy and reliability of financial information as well as for safeguarding cash.

Current Audit Status

There is now documentation that monthly bank reconciliations are being performed by the Commission. This finding has been resolved.

**WAR MEMORIAL COMMISSION
FISCAL YEAR ENDED JUNE 30, 2003
STATUS OF PRIOR YEAR'S FINDINGS AND RECOMMENDATIONS**

**CONDITION III – THE WAR MEMORIAL COMMISSION DID NOT HAVE ADEQUATE
DOCUMENTATION IN ITS FILES TO SUPPORT INFORMATION ON
ITS PAYROLL ATTENDANCE REPORTS**

In fiscal year 2002, six of twelve payroll records reviewed were not supported by documentation on file at the War Memorial Commission. There were situations in which the Daily Sign-In sheet information did not agree with the Payroll Attendance Report (PAR) submitted to the City's Central Payroll Division. In other instances, Daily Sign-In sheets were not completed or only partially completed by employees. For some PARs indicating that leave was taken, no corresponding leave request forms were on file. Additionally, many PARs did not have the proper authorizing signature. In these cases, the Office Assistant signed the Executive Director's name in the area designated for supervisory signatures.

Current Audit Status

The Commission implemented corrective action procedures subsequent to the issuance of our prior audit in April 2003. We reviewed records from pay periods after April 2003 and determined that this finding has been resolved.

**CONDITION IV – THE WAR MEMORIAL COMMISSION CHECKING ACCOUNT
CHECKS, DIRECT PAYMENT ORDERS AND PAYROLL
ATTENDANCE REPORTS ARE SIGNED BY AN UNAUTHORIZED
STAFF MEMBER**

We noted that the authorizing signatures of the Executive Director and Commission Chairman on the War Memorial Commission bank account checks, Direct Payment Orders and Payroll Attendance Reports were signed by the Office Assistant. The Office Assistant is not listed as an authorized signatory for the bank account nor does she have authorization to sign any documents as a Department Head or Supervisor.

Current Audit Status

The Commission implemented corrective action procedures subsequent to the issuance of our prior audit in April 2003. We reviewed records from periods after April 2003 and determined that this finding has been resolved.